BoardRoom Press

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The Governance Institute

Let's Take the Long View

A common theme I heard at our first Leadership Conference of 2025 at The Ritz-Carlton in Naples, FL was that AI is here to stay, it requires strong ethical guardrails and governance, and most importantly, its best uses in healthcare are to improve the human experience, not replace humans. The cautionary tale was around making sure we don't put all of our eggs in the AI basket, hoping it will solve the problems created by our first digital revolution, when our industry moved from paper records to the EHR.

The other key theme our speakers emphasized was about how much innovation and disruption is occurring in the industry, primarily by non-legacy, non-hospital organizations. This is not new and we have been talking about it for many years now. The new conversation is about needing to see much more of this level of innovation coming from inside our hospitals and health systems. The thing that will sustain us through this period and see us through to the other side is strong, visionary leadership and governance that is willing to do the hard work of changing the nature of how we work in healthcare to take full advantage of the new technology available to us, while at the same time keeping patients in the center to ensure that whatever it is we do, it is moving us better and faster towards a system that is less confusing, easier to access, and more equitable.

Our first *BoardRoom Press* of 2025 covers these themes as well, starting with getting back to basics, building strong fundamentals and strong relationships, centering what we do around the humans in healthcare, and then making decisions now that will benefit future generations of people, patients, and communities.

Kathryn C. Peisert

Kathryn C. Peisert,
*Editor in Chief
& Senior Director*

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Building Strong Fundamentals and Strong Relationships

By Michelle Riley-Brown, M.H.A., FACHE, Children's National

After 25 years as a hospital administrator, I know the most impactful organizations are not built on accolades or flashy facilities. The culture of a hospital is shaped by its people, systems, and daily operations. The connections between culture, behaviors, and regulatory compliance might not seem immediate, but they are closely linked. I have seen throughout my career that shared mindsets create shared accountability. Without prioritizing culture and accountability, no health organization can thrive—and neither can its patients.

Michelle Riley-Brown, M.H.A., FACHE
President and CEO
Children's National

At Children's National, an independent pediatric hospital and research institute in Washington, D.C., quality and safety are at the heart of everything we do. As a national leader in children's health,[1] we offer more than 50 pediatric specialties, drive groundbreaking clinical research,[2] and provide essential healthcare to communities in D.C., Maryland, Virginia, and beyond.

When I assumed leadership of Children's National in the summer of 2023, I embarked on a "Look, Listen, and Learn" tour to engage with staff, families, and stakeholders at every level, including our many board directors and advisory group members. I wanted to deeply understand the foundation from which Children's National operated and get to know the organization before making big decisions.

The Vision: A Collective Focus on Strong Fundamentals

Since the beginning, I have called for strong fundamentals at every aspect of our organization. To me, a strong foundation means focusing on core operations to support clinical work, research, and community programs. I discovered through my rounds and hundreds of conversations with stakeholders that while our foundation was incredibly strong, we needed to get back to basics.

It began with my leadership team. Healthcare is a dynamic sector, and I wanted the right people in place to ensure we remained not only committed to our mission, but also worked at the pace I knew we needed to keep up and soar. We had strong executives at Children's National already, and I added a few new faces to the team. Leadership takes many forms, and the Children's National board also plays an important role in modeling leadership and providing oversight. I was fortunate to have a dedicated board of directors, as well as the input and expertise of our many subsidiary and advisory boards.

Together, we launched a special initiative called *"Safer"* that focused on improving those fundamental operations. At Children's National, *Safer* became a rapid recommitment to quality and safety. Every single employee is essential to this work, and every employee—and board member—must also understand how they are essential. Today, *Safer* has transformed our system's collective focus on performance improvement and shared accountability. Launching and implementing this initiative was a multifaceted process that necessitated buy-in and involvement from our boards.

Becoming Safer

One goal of *Safer* was to more effectively monitor and, if needed, respond to regulatory compliance. We also sought to continuously improve culture and processes through a specific set of measurable actions. Early focus areas included the dissemination of refreshed audit dashboards tracking shared compliance metrics, weekly leadership meetings to identify and solve communal challenges, and re-education and training efforts around key policies and procedures across the workforce. Engaging staff and board directors at all levels about the "why" behind this work was just as important as the "what."

We developed an interim leadership structure and an *ad hoc* board committee to ensure both management and board oversight. In creating the *ad hoc* committee, we selected board directors based on expertise and proximity to the sensitive issues inherent to *Safer*. Involving our

In today's dynamic healthcare environment, transparency in board governance is more important than ever. Here are ways that healthcare boards and senior leaders can improve transparency and partnership on key initiatives:

- **Have transparent decision-making processes**. Share meaningful information in an accessible, actionable way, while also being sensitive to data security and audience.
- **Leverage technology**. Ensure your forums enable both consultation and the sharing of highly sensitive information, such as board portals, password-protected video meetings, and dashboards with real-time updates.
- **Promote open communication with the board**. From annual town halls and quarterly CEO updates to regular meetings and board portal information sharing, promoting open communication enables the CEO and the board to move quickly when needed and make important decisions successfully.
- **Create an efficient corporate structure**. Governance structure should support your strategy, organizational design, and dynamic health environment. Being streamlined and agile is essential when it comes to addressing risk and opportunity in today's healthcare environment.

board was vital, given the importance of this work. My team and I also invited leaders and subject matter experts within Children's National to present during *Safer* meetings, which elevated internal voices and brought the board closer to work happening at our campuses.

We implemented regular reporting to increase transparency, including rolling data into a board-facing dashboard. We were able to update our board committee quickly on confidential topics because of the security of the Nasdaq Boardvantage® board portal, which hosted multiple sensitive resources.

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1 "Children's National Hospital Again Ranked among the Best in the Nation by U.S. News & World Report," October 8, 2024.
2 "Pioneering Gene Therapy as a Treatment for Sickle Cell Disease," Children's National, May 16, 2024.

Playing the Long Game: Board Strategies for Resilience

By Remi Patel and Maulik Joshi, Dr.P.H., Meritus Health

With the rapid waves of challenges plaguing healthcare organizations today, change is essential for those who want to swim rather than sink. To successfully navigate this complexity, boards play a critical role in making sure their organization can survive short-term challenges and achieve success in the long run. By embedding a long-term view into strategic decision making, healthcare leaders can build resilience, allowing their organization to adapt to rapid changes and thrive in the future. The following strategies outline actionable steps for boards to shift their mindset towards a long-term perspective, thus positioning themselves for success.

Discuss Opportunities Early

Strategic planning begins with identifying and exploring opportunities at their earliest stage. Bringing high-level ideas to the board, before they are fully developed, allows for collaborative input, broader perspectives, and alignment with organizational goals before any decisions are made. At a recent meeting, Meritus board members and leadership discussed nine potential strategic opportunities spanning the next five years, with investments ranging from a few million to over 100 million dollars. Board members were given only three slides of background material on each opportunity, which culminated in a discussion of each one. Through these generative conversations, two opportunities were prioritized for deeper evaluation. By being open to discussing opportunities early on, healthcare organizations can leverage the board's expertise and ensure well-informed decisions are made before strategies move forward.

Be Bold

While remaining realistic is important, building a culture of bold decision making can help healthcare leaders drive transformation. Bold leadership includes stepping outside of the comfort zone and driving transformation with new payment models, innovations, service lines, partnerships, or technologies to stay ahead of emerging challenges. For example, Meritus Health exemplifies boldness through its 2030 Bold Goals, which aim to improve the health of our community. These include having zero patient harm, becoming the lowest total cost of care provider in Maryland, and having zero suicides in our community. Each Bold Goal has short- and long-term goals, clear and measurable metrics for

success, organizational champions, and implementation strategies. While others may see the Bold Goals as overly ambitious, they have allowed Meritus to prioritize impactful initiatives rather than misaligned, fragmented, and reactive projects. Setting aspirational goals as a board and as leadership encourages innovation and forward-thinking.

Set Long-Term Measurable Goals

Setting long-term measurable goals is essential for healthcare leaders seeking sustainable progress. It can be difficult to set goals that will be achieved five to 10 years into the future, especially amidst current-day challenges, but sustainable changes require planning, refinement, and measurable milestones. For example, the Meritus Health 2030 Bold Goals include a campaign to engage the community, businesses, and organizations in Washington County to lose 1 million pounds by the year 2030. The goal stems from the acknowledgement of obesity and diabetes as significant population health challenges, and the need for a measurable goal that will unify the community and ignite action. This campaign introduced an innovative Web-based weight tracker that allows users to enter their current weight in a confidential

account that automatically records pounds lost with a date. As of November 2024, over 159,000 pounds have been lost, with participation from 55 community partners and over 7,700 individuals. Meritus recognized the value of using a simple metric of "total weight lost," and how it has allowed stakeholders to easily view our progress as a community and remain engaged with the program.

Meritus Health 2030 Bold Goals

BROOK LANE

MENTAL HEALTH
- Zero suicides

HEALTH
- Losing 1 million pounds in the community

AFFORDABILITY
- Be the lowest total cost of care provider in the state of Maryland

HEALTH CARE
- Zero patient harm

PROVIDE THE BEST HEALTH AND HEALTH CARE SERVICES IN OUR COMMUNITY

JOY AT WORK
- Be a nationally ranked employer of choice

MEDICAL EDUCATION
- Develop a world class medical school
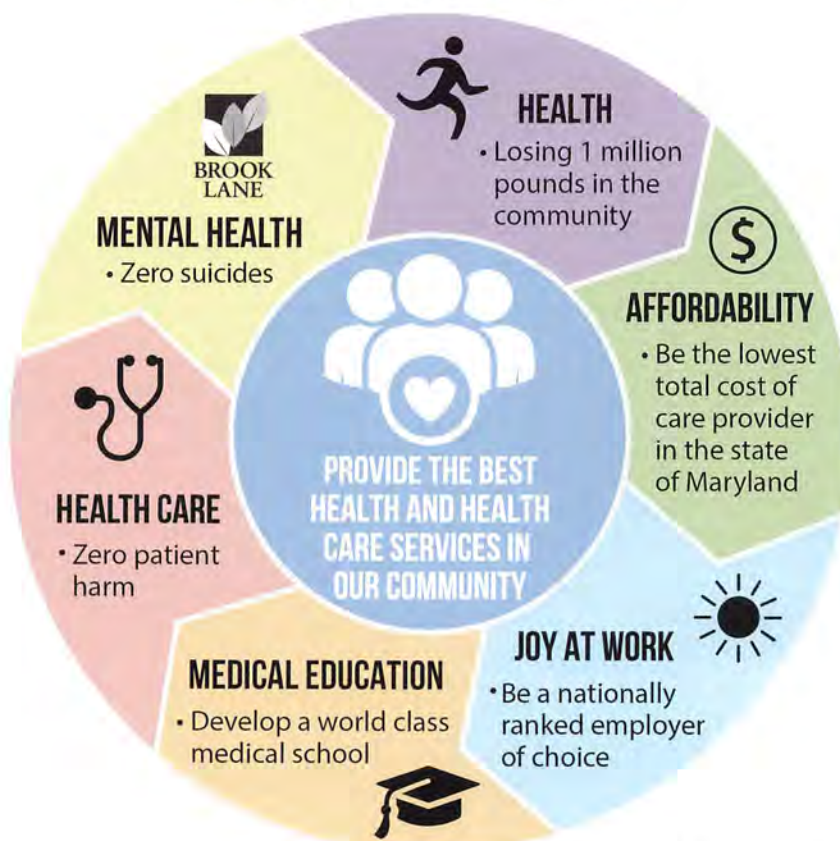
Governing Cybersecurity: Time to Get Back to Basics

By Jen Spencer, NRC Health

2024 brought the largest healthcare data breach in history. Change Healthcare's ransomware attack led to the compromise of over 100 million records and a cost upward of 2.5 billion. The unfortunate thing is that data breaches are not unexpected. It is only a matter of time before an organization is going to get breached—it's not a matter of if, but rather when. Regardless of the security controls that hospitals and health systems have in place, if hackers want to breach your organization, they can and will. Change Healthcare's breach was not a sophisticated, high-tech hack. It was executed by circumventing standard security controls and practices. Due diligence practices that did capture the risk associated with the outdated server with multiple vulnerabilities revealed a lack of multi-factor authentication (which is a standard protocol), a lack of real-time monitoring, and poor response time when the incident was first identified. The details surrounding the compromised credentials were most likely obtained via phishing or potential insider threat. Phishing is an easily executed attack vector focusing on the weakest point of entry: our employees. Often, staff are working quickly to get their job done, and one click of a link can lead to disastrous consequences.

Looking at the top three healthcare data breaches in 2023 and 2024, their attack vectors focused on different vulnerabilities: due diligence, multi-factor authentication, and external site and patient tracking (third-party risk).

Get Back to Basics

So, what are hospital and health system boards and senior leaders to do? It's time to get back to the basics. Like with anything, having robust cybersecurity protocols and plans requires knowing the fundamentals and making sure that you have a solid foundation to build from. All the technology or solutions in the world won't matter if you aren't putting together the right combination of people, processes, and technology.

Cybersecurity fundamentals to focus on include:
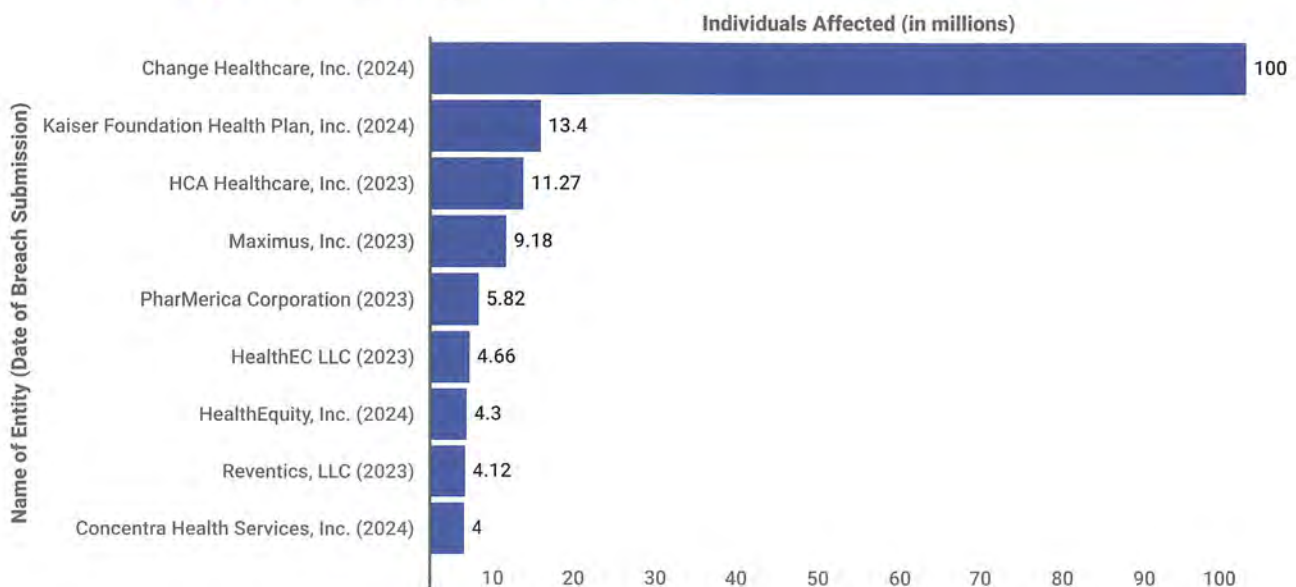
- **Security training and awareness**: You can never train your employees enough—at all levels of the organization. There are a plethora of resources from HHS, the National Cybersecurity Alliance, SANS, and CISA that provide the information needed to educate healthcare employees and leadership teams.[1] For example, CISA offers

>>> **KEY BOARD TAKEAWAYS**

- Does your board have education and training around cybersecurity fundamentals?
- Is your organization's risk tolerance and appetite clearly defined? How is cybersecurity risk integrated with enterprise risk management?
- Does the board receive the right level of information about the organization's cyber risk management efforts?
- What steps has your organization taken to reduce insider threats?
- How is the board working with management to better understand AI risks, such as security and privacy concerns?

free cybersecurity/cyber-hygiene services to help organizations "reduce their exposure to threats by taking a proactive approach to monitoring and mitigating attack vectors."[2] It is a great check and balance to the service and controls your organization has in place to ensure they are working as they should. Security training and awareness fosters and builds resilience and provides key performance indicators and metrics for leadership and boards.

Largest Healthcare Data Breaches in the U.S. (as of November 2024)

Individuals Affected (in millions)

Name of Entity (Date of Breach Submission)	Individuals Affected (in millions)
Change Healthcare, Inc. (2024)	100
Kaiser Foundation Health Plan, Inc. (2024)	13.4
HCA Healthcare, Inc. (2023)	11.27
Maximus, Inc. (2023)	9.18
PharMerica Corporation (2023)	5.82
HealthEC LLC (2023)	4.66
HealthEquity, Inc. (2024)	4.3
Reventics, LLC (2023)	4.12
Concentra Health Services, Inc. (2024)	4

Source: U.S. Department of Health and Human Services

1 HHS Security Awareness and Training; National Cybersecurity Alliance (www.staysafeonline.org); SANS Security Awareness Training Program; CISA Cybersecurity Awareness Program.
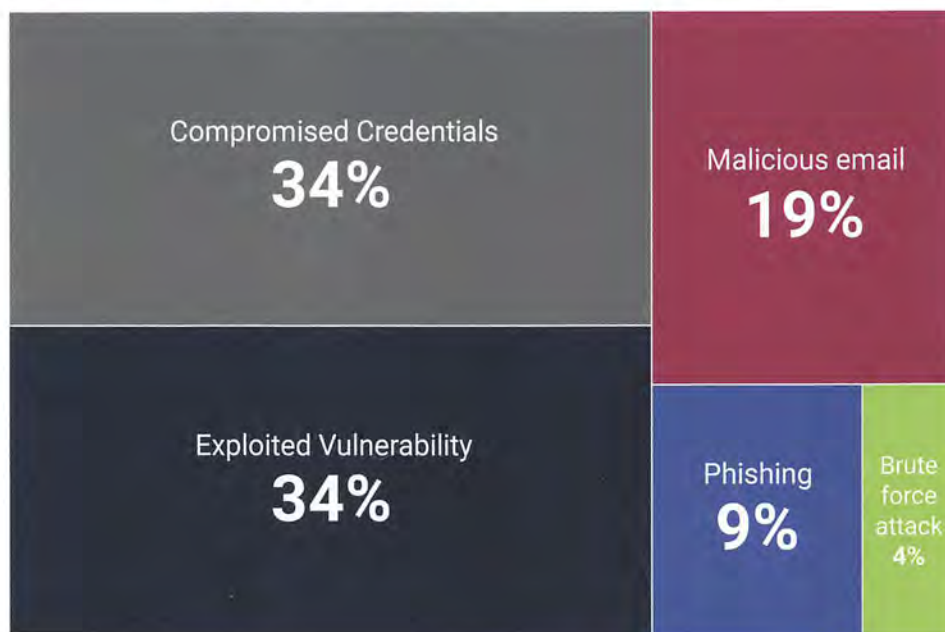2 CISA, "Cyber Hygiene Services."

Organizations that focus on resilience persevere, as opposed to those that focus on failures.

- **Phishing**: Phishing is the key social engineering attack that can lead to compromised credentials and unauthorized access resulting in a ransomware attack that will end in a breach. A compromised record is worth hundreds of dollars and increasing,[3] which can add up quickly. How often is your Chief Information Security Officer (CISO) testing/training employees on phishing? Hackers don't rest, so why should your phishing campaigns?

- **Multi-factor authentication**: This is not a buzzword; it is a key control to ensure that people are who they say they are. This may be considered an annoyance to employees and leadership alike, but it determines and defines the path into the organization.

- **Logging and monitoring**: Logging needs to be in place, but the data also must be reviewed and analyzed in real time so that staff can take meaningful actions to identify, mitigate, and prevent not only real risks but potential risks. Too many healthcare organizations make the mistake of logging and reviewing after the fact rather than having real-time monitoring that alerts the right people. After the fact is simply too late.

Leadership Oversight

Senior leadership and boards need to ensure that the organization has in place a comprehensive security strategy, via regular communication with their CISOs. Start by ensuring that the board is clear on the cybersecurity basics

Top Five Root Causes of Ransomware Attacks

- Compromised Credentials **34%**
- Malicious email **19%**
- Exploited Vulnerability **34%**
- Phishing **9%**
- Brute force attack **4%**

Sources: Sophos; Vanson Bourne

and how those are implemented at their organization. As another piece of that comprehensive strategy, boards can ask whether or not their organization has a zero-trust architecture (ZTA) in place. ZTA ties the fundamentals to a framework that tells the story needed to ensure ongoing safety to the true state of cybersecurity; it is essentially a cybersecurity model that assumes no user or device can be trusted, even if it's inside your network. It's based on the principle of least privilege, which means users and devices are only granted the permissions they need to perform their tasks. Key principles include identity, devices, networks, applications, and workloads.

Last, a key driver to determine what is to come is keeping a close eye on healthcare cybersecurity news, laws, and developments. The changing regulatory landscape is requiring constant monitoring to see what changes are in store. We saw plenty of changes this past year that are top of mind for cyber executives and boards, ranging from HIPAA updates to AI.

Let's Talk about Risk

Risk is at the forefront of all CISOs' minds, and it is important to present risks at face value—not overinflating and not underplaying. This balance is imperative, but it is only meaningful when aligned with the organization's risk appetite and tolerance. CISOs look at risk at an enterprise level—cyber risks are not siloed.

Boards, senior leaders, CISOs, and Risk Officers need to clearly define their organization's risk appetite and tolerance and ensure that they are aligned at the corporate level as well as the business or service line levels. The hospital or health system's risk appetite and tolerance will help drive decisions.

Risk Appetite vs. Risk Tolerance

If risk appetite represents the official speed limit of 70, risk tolerance is how much faster you can go before likely getting a ticket.

Risk Appetite (RANGES FROM 0–70 MPH): The amount of risk an organization is willing to accept to achieve its objectives.

Risk Tolerance (RANGES FROM 70–80 MPH): The acceptable deviation from the organization's risk appetite.

Unacceptable Risk (80 MPH AND ABOVE)

Source: TechTarget

3 HHS, *A Cost Analysis of Healthcare Sector Data Breaches,* Health Sector Cybersecurity Coordination Center (HC3), 2019.

Average Cost per Leaked Record in Data Breaches Worldwide

Bar chart — Cost in U.S. Dollars by year:
- 2014: 145
- 2015: 154
- 2016: 158
- 2017: 141
- 2018: 148
- 2019: 150
- 2020: 146
- 2021: 161
- 2022: 164
- 2023: 165
- 2024: 169
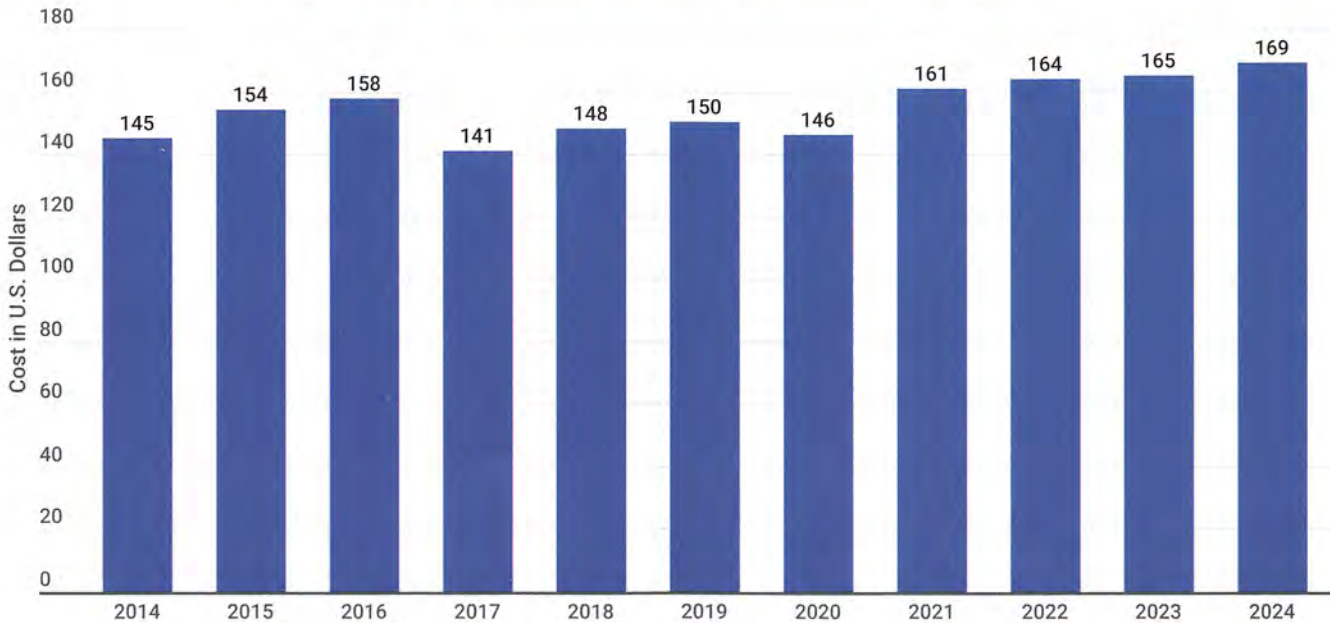
Sources: IBM; Ponemon Institute

Insider Threats

CISOs and boards are becoming more aware of insider threats, such as the role phishing plays in accessing our networks and data internally. Insider threat is not a new concept, but it does take on a different life when you work in a remote environment. Mitigation approaches include requiring cameras during meetings to ensure the right people are on calls and regular touchpoints with remote workers to understand concerns and obstacles. Continual negative talk of current or past leadership, resistance to change, and combative versus collaborative behaviors indicate the possibility or risk of those workers inadvertently sharing information or resources to those who do not need access. Another factor is quiet quitting—employees who appear to be working by either filling their calendars with non-existing meetings or automating access to their computer for the appearance of being online and working. When working with sensitive data including health-related information, these are critical red flags that CISOs need to be tracking and monitoring regularly.

Legal Landscape and Let's Get Real (or Not) with AI

The ever-changing legal landscape is tied into every aspect of cyber and governance, from the changes to HIPAA to AI state laws, AI executive orders, and more. We are just getting our bearing with privacy laws, and now we have the surge of U.S. AI laws[4] and global laws[5] impacting organizations from outsourced developers, offshore employes, offshore vendors, and offshore cloud environments. It is impossible to keep up without having solid legal and compliance presence and board understanding of what to ask, when to ask it, and how to govern it. The National Association of Corporate Directors has an AI oversight checklist for boards to help in these efforts (see sidebar on the next page).

Cyber and governance professionals need to look at this through several lenses and inherent privacy concepts:
- Use by employees
- Use by developers
- Use by customers
- Use for protection

This also includes considering the plethora of AI laws to review—Colorado, Utah, and California have passed legislation with distinct regulations around generative AI, use of synthetic data, and

> Having robust cybersecurity protocols and plans requires knowing the fundamentals and making sure that you have a solid foundation to build from. All the technology or solutions in the world won't matter if you aren't putting together the right combination of people, processes, and technology.

training on personal data.[6] IAPP has identified the crossover between privacy and governance, with security, risk management, and training being three of the primary areas of intersection.

With so many nuances around AI, it is an absolute imperative that cyber professionals help guide the conversation with the board, but AI governance also requires oversight from Compliance, HR, Legal, and IT. It's a team effort (getting back to basics).

Some items to consider include:
- Do cyber professionals have the right skillset to truly test on transparency, fairness, and bias? How can we adjust for/mitigate bias when using AI tools that have inherent bias built in?
- When considering third-party risk, how can we make sure our teams know that understanding what our

4   See IAPP, "U.S. State AI Governance Legislation Tracker."
5   See IAPP Research and Insights, *Global AI Law and Policy Tracker.*
6   *Ibid.*

vendor and service providers are implementing is just as important as understanding what controls we look at and test internally?

- What do boards need to see? What information is valuable and provides a clear picture of risks as they pertain to the organization, not as they are presented to all environments and sectors?
- What do boards want to see from an AI governance perspective? Some examples here might include strategic, tactical, and operational approaches to adopting AI, taking into consideration data governance, data quality, ethical use, and capital allocation.[7]

In Summary

Let's recap the takeaways to best tackle cybersecurity:

1. Get back to basics by implementing the fundamental security controls that align with zero trust architecture to minimize incidents and breaches.
2. Ensure that your risk appetite and tolerance are based on the actual, calculated, and ranked risks to the organization and implement the right cybersecurity controls and measures to mitigate those risks.

NACD AI Oversight Checklist for Boards

1. Determine to what degree the company currently engages with AI throughout the business.
2. Discuss AI with management to understand how they are thinking about the technology.
3. Integrate AI into board strategy and risk discussions.
4. Discuss potential changes to oversight structures, processes, or practices related to oversight focus areas.
5. If we are using AI within the organization, is the company compliant with all laws currently governing the use of AI and monitoring legal developments to ensure compliance with upcoming regulations and rules?
6. Through which compliance framework is the company testing its models?
7. Evaluate the board's structures, practices, and composition to determine if new AI expertise may be needed to oversee the organization's strategy with regard to AI.

To view the full checklist, see NACD, *AI and Board Governance,* 2023.

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3. AI, like prior emerging technologies, is here to stay, so work with leadership throughout your organization to understand it from all angles—employee, developer, vendor, and cyber use. Understanding key AI principles, like security and privacy, are key.

There are no silver bullets—vendor, solution, or otherwise. Senior leaders and boards will need to fight the good fight through strong governance and

oversight. This includes asking the tough questions on the current state, education and training, and awareness at all levels. Utilizing the right people, processes, and tools and technology together will lead to resilience.

The Intersection of Privacy and AI Governance

Privacy

- Data minimization
- Data sharing/transfers
- Personal data only

- By design and default
- Supervision and enforcement
- Data governance
- Training
- Data/development life cycle management
- Individual rights
- Impact assessments
- Risk management
- Data collection
- Incident response
- Data processing
- Security

AI Governance

- Data democratization
- Data generation (aggregation effect/inference economy)
- Intellectual property
- Compute governance
- AI systems and machine learning (including other algorithms) knowledge

Source: IAPP Research and Insights

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7 See e.g., NIST AI Risk Management Framework; Ethical and Trustworthy AI Use and Development in *AI and Board Governance,* NACD, 2023.

Composing a High-Functioning Board: Hard-Nosed Trends for a Complex Future

By Larry S. Gage, Alston & Bird, LLP and Alvarez & Marsal

I recently co-authored a report with colleagues from Alvarez & Marsal on the best governance practices of 17 high-performing non-profit hospital systems, with support from The Governance Institute.[1] In that report, which updates a survey we first conducted in 2015, we determined that non-profit hospitals and systems have struggled in recent years to find the right size and composition for their governing boards.

The number of hospitals and revenues in our surveyed systems has grown since 2015—from 241 hospitals in 2015 to over 375 hospitals in 2024, and from $77 billion in revenues to $155 billion. At the same time, most of the surveyed systems have sought to streamline their governing boards. In the process, a majority of the systems have worked to move from "holding company" or "constituency-based" boards to operating boards. The 17 surveyed systems were asked to categorize their structure and that of their boards. Nine systems elected to characterize themselves as "a fully integrated, multi-faceted health system," while the other eight described themselves as "a hospital system with other components."

As one survey participant put it: "We have about 250+ subsidiary companies and over 50 percent of our revenue is earned outside of hospitals. As a consequence, we have had to develop a governance structure that reflects the complex functioning of the health system and at the same time balance fiduciary oversight with agility in decision making and execution of strategy."

The stakes for non-profit hospital governing boards have never been greater. Non-profit hospitals and systems face heightened scrutiny today from the IRS, Congressional committees, the Department of Justice, the FTC, and state Attorneys General. Our survey showed that many successful non-profit systems have adopted more of a hard-nosed, no-nonsense and business-like approach to recruiting effective directors. This approach differs from the way directors were typically recruited in the past by boards, which focused on interpersonal relationships, community leadership, and fundraising ability, as well as on substantive skills and experience.

As successful non-profit hospitals and systems have streamlined their boards, they have also been increasingly concerned about having the right mix of board members. As CommonSpirit Health CEO Wright Lassiter III said in commenting on our new survey, "Having well-intentioned board members is not the same as having a high-functioning board, and the wrong governance can be an anchor to a system." Our 2024 survey respondents identified a number of steps being taken by many high-performing systems to make sure their hospitals and systems have the "right governance."

Board Recruitment and Composition Best Practices

Best practices we identified in our survey start with assessing the expertise, skills, availability, and capabilities of existing board members and identifying gaps in needed expertise. In recruiting board members, high-performing hospitals and systems build in a coherent transition and succession process so future directors are identified and groomed for leadership. They also appoint a governance and/or nominating committee to identify, interview, and nominate board members. Some systems now routinely use professional recruiters and are beginning to explore the benefits of compensating board members.

One of our surveyed systems determined that their most effective board members were missing board and committee meetings due to their many other responsibilities. However, they also learned that these individuals virtually never skipped the board meetings of business corporations where they were compensated. Attendance improved significantly when the system instituted relatively minor stipends for board members (with additional compensation for board officers and committee chairs).

One way to meet the challenge of achieving a well-balanced board is to limit the number of *ex-officio* or "constituency-based" board members. Several of the systems surveyed included *ex-officio* or "legacy" board members due to merger agreements combining two organizations, because of the need for representation from "sponsor" organizations in faith-based systems, or attributable to relationships between the systems and medical schools or universities. Too many of these board members, however well-intentioned, can

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>>> **KEY BOARD TAKEAWAYS**

- Building and sustaining a proactive and interactive board culture directly impacts effective governance.
- Best practices include assessing the expertise, skills, availability, and capabilities of existing board members and identifying gaps in needed expertise.
- Try to limit the number of *ex-officio* directors who may feel they are beholden to a particular constituency rather than to the success of the hospital or system and the health of the community.
- Resist selecting new board members just because you are friends or know them through social contacts—consider specific gaps in skills, leadership, and diversity before identifying individuals.
- Have committee chairs identify missing skillsets or areas in which you might have too much of a good thing.
- Best practices in recruiting board members should include the following:
  » Build in a coherent transition and succession process so future directors are identified and groomed for leadership.
  » Appoint a governance and/or nominating committee to identify, interview, and nominate board members.
  » Think about using professional recruiters.
  » Consider compensating board members.

> " Having well-intentioned board members is not the same as having a high-functioning board, and the wrong governance can be an anchor to a system.
> —*Wright Lassiter III, CEO, CommonSpirit Health*

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1   Larry Gage, et al., *Governance of High-Performing Non-Profit Hospital Systems: Survey of Key Characteristics and Best Practices*, Alston & Bird LLP and Alvarez & Marsal, December 2024. The report may be obtained by emailing larry.gage@alston.com or mfinucane@alvarezandmarsal.com.

Building Strong Fundamentals...

A Foundation for the Future
The complexities and redundancy in our current corporate structure became apparent during both my "Look, Listen, and Learn" tour and the *Safer* initiative launch. We needed to clarify roles and maximize directors' capacity and expertise across our several boards. To that end, in partnership with our Children's National Board of Directors' Nominating and Corporate Governance Committee, we are currently undergoing a governance review and restructuring. Best practice is to re-evaluate the corporate structure every five to seven years.

Our back-to-basics approach, honed through *Safer*, is ultimately helping us move toward a more agile governance design that better aligns with today's dynamic healthcare landscape.

Safer remains a vital initiative at Children's National and has improved many day-to-day experiences of patients and staff. The *Safer* philosophy was codified and is now part of every new hire's training at Children's National, from senior-most executives to part-time employees.

Engaging deeply with the directors at Children's National early in my tenure set a precedent of transparency that I look forward to building upon. Just as *Safer* exemplifies our efforts to build an organizational culture of shared accountability, launching *Safer* built a foundation for board relations that I am eager to continue.

Playing the Long Game...

Staying disciplined to measurable goals allows leaders to create a roadmap for success while ensuring that stakeholders stay focused, engaged, and motivated towards achieving these goals.

Patience Is Key
Finally, patience is key for boards committed to achieving long-term success. Significant results can take years to achieve, and celebrating small wins is one way to cultivate patience within an organization. For example, with the Bold Goal of inspiring the community to lose 1 million pounds, an incremental milestone of losing 200,000 pounds by the end of FY25 was set to keep stakeholders engaged and motivated. With 159,000 pounds already lost, this steady progress emphasizes the importance of balancing long-term vision with short-term wins. By fostering patience, leaders can keep stakeholders focused on overarching goals while making sustainable progress.

Conclusion
Adopting a long-term perspective is essential for healthcare organizations to navigate the ever-changing challenges of the modern world. By utilizing these strategies to embed long-term planning into their culture, boards can lead with agility, positioning their organizations for resiliency and sustainable success.

These actions to hardwire long-term thinking require a different

How Boards Can Build a Long-Term Mindset

Board Cultural Expectations		Actions to Hardwire Long-Term Thinking
Open-minded	-----	Have Generative Discussions Early On
Aspirational	-----	Be Bold
Disciplined	-----	Set Long-Term Goals
Patience	-----	Be Patient

mindset at each stage. Having generative discussion early on requires an open-minded approach. This may seem straightforward, but one must remember that it is often very easy to say why something might not work, and one "no" can change the tenor of a conversation. Boards must be open-minded in thinking about possibilities iteratively. As we get to the "be bold" stage, board members should be aspirational in their vision. Coupled with aspiration, however, is discipline. A long-term goal 10 years out can be audacious, but there must be discipline expected from leadership to have measures along the way that are meaningful, measurable, and demonstrate progress to the aspirational goal. Finally, it is important to be patient as these strategies play out. This can be a challenge when organizations are striving for immediate results. In order to implement strategies for resilience, boards must play the long game. Open-mindedness, aspirational, disciplined, and patience are cultural expectations for boards to hardwire long-term thinking and position themselves for future success.

Humans of Healthcare...

of healthcare and a living, nurturing environment? It's tempting to simply say both and pursue at the same time, but it's important to choose a priority because patients crave simplicity and can only take in so many core attributes at a time. Are we hoping they first understand our technology or our environment? If we choose environment, they may begin to see and enjoy the green living spaces around them. Then, we can introduce the advanced surgical system behind the livery that will allow them to heal and nurture their own selves. But we do it carefully, in phases, with the patient's perspective in mind. If we just pursue multiple ideas, from different parts of the system, the collective output is a confusing system and a fragmented experience.

Systems vs. Humans in Execution

Execution is the trickiest step, both for systems thinking and humans thinking. Because of a steady flow of patients, execution in healthcare often just happens. A patient shows up and we care for them. It can be easy to leave strategy and design behind. As for examples, a PA may ditch protocol due to a patient's demeanor. A physician may create a workaround to order a test or administer care. A tired nurse may skip questions on their post-discharge follow-up. No matter how well a system is designed, execution in healthcare is imperfect.

Yet humans trusting their own instincts and intuition is a vital component of care. Systems thinking may miss this vital point because it frames humans as a risk to optimal system execution. It sees human behavior as something for the system to fix—or avoid entirely. Yet the execution of the system will still be carried out by humans, and the recipient of the system's care will themselves be human. Should the system not be designed to encourage humans to help humans? Especially in healthcare?

Even the best systems, steeped in strong strategy and design, can fail to account for the nuances of human behavior: the fears of a patient, the emotional state of a caregiver, the deeply felt needs of humans both giving and receiving care. This cannot be scaled. Therefore, humans must replace systems at the core of strategy, design, and ultimately execution. This may be difficult for entrenched leaders to see or believe, and therefore we must consider the board's unique and indispensable role in advancing humans thinking into the organization. A simple question that should be uttered in each board meeting: how is this project or initiative helping humans?

If we tire of this approach, or the change in perspective it begs, we must then ask ourselves: are we okay with systems designed simply for themselves? Or should we reconsider systems thinking in favor of placing humans first in all that we do? Even if you gravitate toward systems thinking, which much of healthcare does, it's clear our systems need help and a new perspective might be the spark we need to achieve our goals. Remember, our goals haven't changed, and our dedication hasn't wavered, but how we choose to approach our crucial work must shift. From one future patient to another, when choosing between systems and humans, please choose carefully.

Composing a High-Functioning Board...

slow decision making and distract board members with discussion of constituency matters that are not especially relevant to the success of the entire system.

Selecting new directors based on personal friendships is also rapidly going out of style. The networks of the past may make for a relaxed, friendly culture, but may also be a very limited way to ensure that boards are filling the right gaps in needed skills and expertise. One alternative is to look to committee chairs for guidance around what gaps they need to fill before identifying or recruiting new directors. Their answers may surprise you. The audit committee chair of one hospital system board in our survey told his chairman, "I have enough financial expertise on the committee. I need someone who is an expert in enterprise risk management."

Quite simply, the range of skills considered desirable for effective governance has expanded in recent years to include a number of new areas of expertise, such as enterprise risk management, cybersecurity, artificial intelligence, digital health, telehealth, and population health. Increasingly, the systems we surveyed are also turning to national experts to augment the skills and experience of local or regional board members.

At the same time, it is important to acknowledge that not every desirable quality will come from a specialized skill. Diversity is also important. High-performing health systems strive to have boards that reflect the demographics of the populations they serve. Boards are looking for diversity in their composition and consider gender, age, race, and ethnicity in combination with competency when recruiting new members to their boards and committees.

Finally, other intangible factors can also be important to take into account, like institutional leadership skills. One system CEO told us that he placed a large premium on identifying individuals, regardless of their specific background, who had previously occupied the elusive nexus between management and governance in a complex organization. In other words, he planned to search for future board members who had already successfully navigated and effectively managed the relationship between dynamic corporate leadership and a highly effective governing board.

In sum, the successful systems we surveyed discovered that building and sustaining a proactive and interactive board culture directly impacts effective governance. Four board practices can have a significant impact on shaping board culture:

- Identifying the right mix of people for effective governance
- Finding innovative ways to identify, recruit, appoint, and retain them
- Setting board and committee objectives and routinely evaluating board and member performance against those objectives
- Establishing effective ongoing board education and development programs

Humans of Healthcare: Centering Strategy, Design, and Execution around Those We Serve

By Ryan Donohue, NRC Health

How could we ever forget about our patients? They are right there, sitting inside our buildings, pictured on our billboards, and enshrined in our mission statements. And they should be, as they are the human core of healthcare. Therefore, the patient is at the center of all we do, yes? Why then do most patients feel left out of the picture? Ask them: they feel alone, confused, and separated from the decision making of their care—an afterthought in their own experience.[1] How could this be?

To answer, we must look top-down inside the typical healthcare organization: from the board and CEO to the ground floor. Conscious of it or not, senior leadership often engages in what is known as "systems thinking." Originating from IT, the term systems thinking, also referred to as system-centered design, focuses on organizing the functionality of the system to craft a product or service. Systems thinking asks: what are the top system problems to solve? Where can the system be optimized for efficiency? How can the system generate more profit? On face, these seem like the right questions to ask. And this thinking isn't limited to IT, nor any one department. Its influence stretches into many strategic and tactical corners of an organization. In fact, systems thinking can dominate an organization without ever being called by its name.

> **Systems thinking:**
> What are the system's problems and how can we fix them?
>
> **Humans thinking:**
> What are our patients' problems and how can we fix them together?

In IT, the opposite of system-centered design is user-centered design. Defined as "the process of developing systems or products that are profoundly influenced by the broad inherent qualities of human psychology and perception."[2] The user's beliefs, expectations, and needs are placed highest. "User" best fits a technical world, so let's call this contrast of systems thinking by a fresh name: humans thinking. Distinct from systems thinking, humans thinking asks us to solve problems *with* people instead of *for* people.

Systems thinking doesn't ignore humans, but too often it gradually sidelines them to focus and solve the problems *of the system*. This is entirely normal and may feel like the right thing to do—if I want to fix the problems of the system, shouldn't I focus on the system? But problems of the system become problems *of the people*. In healthcare, what motivates us more: fixing systems or helping people? Humans want to help humans. Therefore, humans must be at the center of all we do, especially in the three critical phases of strategy, design, and execution. As leaders and board members, it's imperative we explore how each phase benefits from humans thinking.

Systems vs. Humans in Strategy

Strategic planning in healthcare is in a word: intermittent; plans form every three to five years. Due to infrequency, it's easy to encapsulate strategic planning as a seasonal, self-contained process—important but essentially done on an island. I have attended many board retreats focused on strategic planning. Until recently, I would be asked to speak on branding or consumerism, and then politely asked to leave. As I walked out, a strategic firm would walk in.

At a recent board retreat, I was asked to stay. As I painted a portrait of the frustrated and frazzled healthcare consumer—and by extension healthcare worker—the CEO asked me to provide input on their five strategic pillars for the next five years. My humans thinking was allowed to integrate with the systems thinking that followed. As the strategic firm laid out its points, I chimed in on how patients would be affected. For example, a new urgent care clinic would need to be clearly named and explained extensively to avoid confusing it with neighboring points of care, including competitors. This back-and-forth interlacing of humans and systems thinking seemed illuminating to the strategic firm as well. By staying in the room, I was stretching systems thinking into the human domain. Forcing the system to bend to the user, not the other way around. This is beneficial to both the user and the system they will use.

Systems vs. Humans in Design

Design is both aesthetic and operational. In healthcare, unfortunately, the two rarely meet. How much time does your Chief Operating Officer spend with your Chief Marketing Officer? Both Operations and Marketing set the tone for the design of the experience, but these departments often do it separately and disparately. Patients notice the difference.

As an example, an operations team may work with facilities to introduce more greenery into patient waiting areas, warmer colors, and perhaps even a water feature across their handful of hospitals. Meanwhile, the marketing team, taking direction from the CEO and a vocal physician, re-emphasizes advanced technology in a new system-wide advertising campaign. These initiatives do not flow together. Are we the advanced technology brand with sleek, sophisticated settings alluding to powerful technology that awaits in care delivery? Or are we re-introducing nature inside and fresh surroundings that denote a softer side

>>> KEY BOARD TAKEAWAYS

- Balance systems thinking with humans thinking and ensure their outside-in perspective is heavily considered in strategy and design, thus creating a consistent, well-rounded system of care.
- Invite humans to join the conversation—if not actual patients than patient representatives who can cast a human light on issues and problems within the system.
- Reject data-only representations of execution in favor of insight, actual patient communications and comments, and patient-centered strategic plans and priorities. Breathe life into your data.
- Continually ask: how does this affect our patients? Our employees? Does this help our humans? If not, why should we do it?

1 NRC Health, Market Insights Surveys.
2 Cornell University, "The Human Element in User-Centered Design."